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USAID Accomplishments in Afghanistan

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Chairman Kolbe, Congresswoman Lowey, and distinguished Members of the Committee, I would like to thank you for the opportunity to speak today about accomplishments and impact to date in Afghanistan, and the US Agency for International Development's (USAID) contributions towards that objective, working closely with the Afghan Government and people, and in coordination with the other agencies of the US Government and the international community. USAID's work in Afghanistan since 2001 has led to substantial and visible progress in health, education, economic development, infrastructure and democratic governance. We have faced, and continue to face, many challenges, which we are learning to overcome, and have learned many lessons, which have led us to modify and to improve our programs. In today's testimony, I will highlight how USAID's programs have contributed to the U.S. foreign policy objective of achieving a stable and secure Afghanistan.

THEN AND NOW

As we mark the fifth anniversary of September 11th, and reflect upon the conditions of life for most Afghans under the Taliban, we have cause for optimism. When we first arrived in Afghanistan, we saw a country with very limited infrastructure or capacity. Historically, the vast majority of Afghans have not had access to electricity or safe water. In some remote mountainous villages, the nearest paved road is a two-week walk away. When USAID began working in Kabul, much of the population had been severely traumatized after years of war, which has contributed to the highest maternal mortality rate in the world and a 70% illiteracy rate. Most Afghans did not remember a time when conflict was not a major part of their lives. Today, in Kabul and other major cities throughout the country, the economy is growing rapidly, Afghans are participating in the political process, and the majority of people feel optimistic about their future. Some significant examples of accomplishments include the following:

- there are currently more than 5 million students enrolled in schools, more than a five-fold increase from 2001;
- 80% of Afghans currently have access to health care; in 2001 only 8% had access;
- Afghanistan had only about 50 kilometers of paved roads in 2001; by the end of 2006, over 1,500 kilometers of US built roads will allow; goods to move across the country, local and national leaders to reach their constituents, and the sick to reach health clinics;
- the licit economy was estimated at \$2.4 billion in 2002; licit GDP stands at \$7.3 billion in 2006, and is estimated to reach \$8.8 billion for 2007/2008; and
- no formal banking system existed in 2001; there now exists an independent Central Bank with 32 computerized provincial branches processing inter-bank payments.

To achieve all of this, USAID has employed a strategy with short-term components that provide tangible signs of hope, while also building the framework for long-term, sustainable development efforts. This reconstruction strategy consists of three stages. The first stage focused on relief and humanitarian assistance. The current stage is focusing on stabilization and building systems that will act as a bridge to the third and final stage of sustaining an environment with a legitimate government and a market-based licit economy.

CURRENT SITUATION

While Afghanistan has achieved much, it now stands at yet another cross-road. Alongside historic achievements since 2001, in parts of the country Afghans now face increasing violence in their communities, as yet unmet expectations, and increased corruption. Although still optimistic about their future, they are concerned about the resurgence of the Taliban, about a return to the time when they could not send their daughters to school and their wives to the doctor, and about whether their government can respond effectively to such threats. They are also concerned about the commitment of the international community.

In London this past January, the international community restated its commitment and made a substantial pledge of over \$10.5 billion over the next five years to meet the benchmarks of the Afghanistan Compact and the Afghanistan National Development Strategy. The USG pledge was \$4 billion. We have made a commitment to continue to support the Government and the people of Afghanistan to ensure that the country never again becomes a haven for terrorists.

When we began working in Afghanistan in 2001, we found an extremely limited infrastructure and little or no local capacity. We also faced a very rough terrain, and limited resources. In many ways, we are not doing RE-construction work in Afghanistan, but are constructing much of the infrastructure for the first time ever. Although we did not initially realize the extent of the lack of infrastructure and capacity, and the amount of time it would take to reach certain goals, we now have a more realistic sense of the challenges and the costs. We are adjusting our targets, are learning from our experience, and are beginning to communicate better with the Afghan people.

We are also responding to the increasing security threat, which is an obstacle to getting our work completed on schedule and within budget. Our staff faces real dangers every day. Increasingly, our contractors are being targeted, and a number of them have been killed, making it more difficult for USAID to implement its programs. The ancillary costs to provide security have also risen substantially. During the May riot in Kabul, the offices of several organizations USAID funds were burnt. Sadly, some of the schools and clinics we built, as well as radio stations we have supported, have also been attacked.

Sustainable development is a process. To reach the point where a country can stand on its own, or require limited outside assistance, depends on many factors including local capacity, natural resources, geography, security and political commitment, among others. In countries like Afghanistan, where the baselines from which we began our efforts were extremely low, and where there is an on-going insurgency, the timeline will be long.

According to the assistance framework developed by the Office of the Director of Foreign Assistance, Afghanistan is a "Rebuilding" country. As such, it is currently at the lowest levels of development in the areas of Governing Justly and Democratically, Investing in People, and Economic Growth. Factors considered to determine the status of Afghanistan include: government effectiveness, control of corruption; rule of law; life expectancy; child mortality; business environment; and regulatory quality; among others. Afghanistan is facing a large gap in order to surpass the next level of "Developing" countries, and to reach the level of sustainable development.

The rate of change and the amount of development has been high for the past five years, given the very low baseline, and the high level of international community interest and assistance. However, the gap remains large, and we need to sustain our momentum. Additional gains will require a sustained commitment from the United States, from the international community, from the Afghan Government and from the Afghan people.

IMPACT OF USAID PROGRAMS TO DATE

Despite the many challenges, much has been achieved to date in Afghanistan, and as mentioned earlier, there is cause for optimism.

A Thriving Licit Economy Led by the Private Sector.

Infrastructure. After decades of conflict, only an estimated 50 kilometers of highway were paved in the whole country. By the end of 2006, the US will have built over 1,500 kilometers of roads to connect key parts of the country. To provide context, this is about the distance from Washington, DC to Jacksonville, FL; Afghanistan is roughly the size of Texas. The roads are already decreasing travel time substantially, and allowing more rapid transportation of goods to market, the sick to health clinics, teachers to schools, and the army and the

police to insecure areas of the country. For example, prior to USAID efforts, average speed on over 70% of existing roads was 20 kilometers per hour. The average speed has now increased three fold, and the US portion of the Kandahar to Herat highway has reduced travel time from 10 to approximately 4.3 hours. I was in Afghanistan this summer and had the opportunity to drive on and fly over the Kabul to Kandahar road many times. It looks like Interstate 95 during the day, full of trucks, traveling between Afghanistan's two largest cities.

Only 10% of Afghans currently have access to electricity, and there is heavy reliance on expensive and unsustainable diesel fuel for power generation. We are helping develop more sustainable power sources by enabling Afghanistan to import power more efficiently from its neighbors, identifying and developing domestic sources of power, introducing cost-recovery models, and strengthening the Ministry of Energy and Water's capacity to manage and regulate power consumption. In the north, the recently rehabilitated Aybak distribution system is providing power to 3,300 families in Samangan province. Across Afghanistan, Provincial Reconstruction Teams (PRTs) are launching micro-hydro power projects, small grants for solar power are being distributed to women-owned businesses, and the creation of a wind and solar map of Afghanistan is underway. Rapid economic development depends on access to transportation and reliable sources of energy.

Economic Growth. Between 2002 and 2006, Afghanistan's licit GDP increased from \$2 billion to \$7.3 billion. Revenue collection is also on the rise, increasing from \$177 million in 2002/2003 to around \$300 million in 2004/2005, which covers roughly 40% of the basic operating budget, excluding security and infrastructure. Bordering the USAID-constructed Bagrami Industrial Park near Kabul, which provides clear title to land, a safe and clean environment to conduct business, and access to electricity, Coca Cola has acquired 6 hectares of land from the Government of Afghanistan for a processing facility, investing \$25 million, and employing over 500 Afghans, including managers. 85% of all property deeds in Afghanistan have been restored and re-organized, leading to a decrease in land disputes.

Democratic System with Broad Citizen Participation.

USAID, in coordination with the international community, has provided extensive support to the Parliament, to become a professional and co-equal branch of the government, able to respond to its constituents. The Parliament now debates issues, votes on national budgets, works in committees, reviews presidential appointments to Ministries and the Supreme Court, and has just passed its first law, the Provincial Council Law. Citizens are also increasingly participating. Formal civil society groups barely existed a few years ago; USAID now supports over 200 organizations in advocacy, institutional development, and community development. A network of 32 independent radio stations supported by USAID now reaches 60% of the Afghan population with current events and cultural programming. To extend the reach of the government outside of Kabul, and into the provinces, Provincial Councils are receiving training in basic administration, budgeting, and constituent relations. The new Provincial Council Law provides clearer roles and responsibilities to the Councils.

A Better Educated and Healthier Population.

A better educated and healthier population is increasingly able to participate in the country's economy and democratic growth. Our sustained efforts in this area have already begun to improve the health of mothers and children-the future work force of Afghanistan. Under the Taliban only 8% of the population had access to health care; today it's 80%. Today, in the provinces supported by USAID health programs, 23% of births are under the care of a skilled attendant, a 100% increase from 2004; the number of children ages 1-2 who are fully immunized has increased by 150% from 2004 and now stands at 37%. In education, school attendance has increased five fold from the Taliban era to more than 5 million currently; 34% are girls, higher than at any time in Afghanistan's history. During a recent visit to Zabul Province, I passed a school en route to another project. I noticed our plaque over the main school door and stopped. It was one of our first schools, built in 2003. Although it was late in the day, many children were still there. They showed us around. The classrooms were clearly being used, the chalkboard was crowded with lessons, and the students said that 12 teachers show up every day.

Support of Provincial Reconstruction Teams

Development takes the political will of the country's leaders and the participation of the country's population. As Afghans continue to gain practical skills and knowledge, they are increasingly participating in

development efforts, and we are gaining the "buy-in" needed for the sustainability of our efforts. The Provincial Reconstruction Teams (PRTs) have allowed us to build closer relations with local officials and community leaders to better understand local needs, and to be more responsive. While ensuring local leadership, the PRTs are helping extend the reach and influence of government through projects that include tertiary roads, bridges, water supply, irrigation, government administrative buildings, schools, clinics, micro-power generation and training courses for women. The PRTs' work will be strengthened through our new Local Governance and Community Development project, which seeks to further involve local officials, local leaders and communities in setting priorities and resolving their differences.

ALTERNATIVE LIVELIHOODS AND CONTRIBUTION TO USG COUNTER-NARCOTICS PROGRAM

Decreasing poppy production in Afghanistan remains a very high priority for the international community. The US Government's comprehensive five-pillar strategy is designed to address all aspects of the problem, including opportunities for economic development. The five pillars are: public information; alternative livelihoods; elimination/eradication; interdiction; and justice reform.

USAID implements the alternative livelihoods pillar (AL). AL focuses on establishing legitimate economic alternatives to poppy cultivation, by laying the foundation for sustainable economic development. This pillar has two key components. The first provides immediate and high visibility assistance mostly through cash-for-work. The goal of the second, medium- to long-term, component is to promote sustained rural economic growth; it improves the infrastructure, capacity and access to agricultural inputs to create jobs, and increase Afghanistan's licit revenues from domestic, regional and international markets.

The alternative livelihoods pillar operates in nine provinces. To date, the program has built new infrastructure and promoted economic activities that provide rural jobs and increase farmers' income from legal agricultural crops. USAID has provided \$19.6 million in wages to more than 214,300 Afghan laborers through cash-for-work projects that have repaired hundreds of kilometers of roads and thousands of kilometers of irrigation canals. Cash-for-work projects provide an income to the population until long-term economic growth programs take effect; they also show an immediate commitment to provide assistance. Additional accomplishments include planting 1,500 hectares of fruit and nut orchards in the east; distributing seed and fertilizer nation-wide and in targeted provinces prior to the planting season; training thousands of farmers; assisting small and medium rural enterprises to develop business plans and access credit, and building infrastructure (industrial parks, roads, cold storage units for produce, etc.).

Alongside the alternative livelihoods program, which is specifically intended to help meet the objectives of the counter-narcotics effort, other USAID programs are also helping reduce poppy production by improving the overall economy of the country, by providing Afghans with additional alternate sources of licit revenue, and weaning the population from poppy.

For example, the reduction of travel time, resulting from the construction of the ring road and provincial and district roads, has reduced licit crop spoilage during transport to the market. Cold storage facilities have further reduced spoilage, yielding higher gains from agricultural products.

The construction of industrial parks in Kandahar, Kabul and Mazar-e Sharif, which provide clear land title, power and other necessary infrastructure, are contributing to increased private sector investment, accelerating licit economic growth, and increasing the country's licit GDP and the number of sustainable jobs. We are pleased to note that the World Bank, upon realizing the positive impact that USAID's support for such parks has had on small and medium enterprises, has decided to build industrial parks in Kabul and in Nangarhar.

USAID's agriculture program has improved hundreds of miles of irrigation canals, resulting in increased crop output from more efficient use of water. The agriculture program's extension training to more than one million farmers has also resulted in increased crop output because farmers are utilizing scarce resources (water, soil, etc.) more efficiently. Cereal production increased 40%, and wheat production increased 46% from 2004.

The AL program alone, however, cannot reduce the level of poppy production. The AL program will only be effective at changing farmers' behavior if the risks and costs of poppy cultivation are increased through elimination, interdiction, public information and law enforcement. Thus, it is critical that all five pillars are fully

operational.

According to the recently released UNODC estimates, the 2006 poppy crop is the largest on record at 165,000 hectares. This exceeds by 26% the previous all time record of 2004, and is an increase of 59% over the 2005 crop. Yet in one region of the country, in Nangarhar province, poppy cultivation in 2005 was reduced by more than 95% of 2004's crop, and although production increased in 2006, it is still below the 2004 level. Nangarhar was in a better position to fight poppy because it had relative security, local government support, the basic infrastructure, and the agricultural resources required to provide sustainable economic growth. We will continue to build on lessons learned in Nangarhar and to apply them to the rest of the country.

THE WAY FORWARD

Afghanistan has made much progress since 2001. Continued progress, however, requires a sustained effort from the international community, the Afghan Government and the Afghan people. Governance needs to improve and extend to all parts of the country. Services should increasingly be provided by capable ministries and reach areas beyond the capitol and the provinces, and into the districts. The capacity of Afghan NGOs and contractors must also continue to improve, to allow for increased Afghan participation in donor programs. The living conditions of Afghans must keep improving so they remain optimistic about their future, and choose the path that leads to a stable, secure Afghanistan.

I want to take this opportunity to recognize and thank our U.S. men and women in uniform, as well as the American and international staff on USAID projects, who have given up the comfort and safety of their homes to help rebuild Afghanistan, and also acknowledge the major contributions of the Afghan staff working alongside us. Without them, we would have none of the successes we are talking about today. Thank you.